

COMMONWEALTH OF VIRGINIA
VIRGINIA LOAN REPAYMENT PROGRAMS OVERVIEW

Developed by:

**The Office of Minority Health and Health Equity
Virginia Department of Health**

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VIRGINIA LOAN REPAYMENT PROGRAMS

OVERVIEW

I. GENERAL SUMMARY

The Commonwealth of Virginia offers two Loan Repayment Programs. One is the Bureau of Health Professions (BHPr), Division of State, Community and Public Health, Virginia State Loan Repayment Program (Va-SLRP) and the other is the Virginia Physician Loan Repayment Program (VLRP). Both offer substantial financial assistance for repayment of qualified medical education loans for primary care physicians, general psychiatrists, nurse practitioners, and physician assistants. Loans are repaid in return for a minimum of two years of full-time practice of the recipient's specialty in a medically underserved area of Virginia. Va-SLRP recipients must serve in a federally designated Health Professional Shortage Area (HPSA) of Virginia. VLRP recipients can serve in a HPSA or a designated Virginia Medically Underserved Area (VMUA).

Allopathic or osteopathic physicians who are in their final year of residency, or have completed residency and are board eligible or are board certified in family medicine, general practice, obstetrics/gynecology, internal medicine, pediatrics, or psychiatry are eligible for participation. Program applicants must not be obligated to any other service under an agreement with a federal, state, or other entity.

Primary care nurse practitioners who have achieved the master's degree or a post-baccalaureate certificate, from a school accredited by the National League for Nursing, in the specialties of primary care, family care, primary ambulatory care, primary adult health care, pediatric care, or women's health nursing are eligible for participation. Program applicants must not be obligated to any other service under an agreement with a federal, state, or other entity.

Primary care physician assistants who have obtained a master's degree, a post-baccalaureate certificate, a baccalaureate degree, or a certificate from a school accredited by the Committee on Allied Health Education and Accreditation are also eligible for participation. Applicants must not be obligated to any other service under an agreement with a federal, state, or other entity.

This offer is open to physicians, psychiatrists, nurse practitioners and physician assistants who satisfy the criteria stated above, whether or not they have started practicing medicine. It is more likely that an

applicant with a signed contract will receive an LRP award, over an applicant that is not yet practicing.

Public and private not-for-profit health care provider organizations that are part of a system of care (that is a service continuum of comprehensive primary care and appropriate arrangements for secondary and tertiary care), in communities that are located in federally designated HPSA are eligible to receive placement of physicians, nurse practitioners, and physician assistants. **This requirement is for participants in the Va-SLRP program only.**

It will be the responsibility of the employers and applicants to reach agreement on terms of employment, to notify the Virginia Department of Health (VDH), Office of Minority Health and Public Health Policy (OMHPHP) when tentative employment terms have been agreed to, and to execute employment contracts. VDH-OMHPHP requires a copy of the employment contract to determine specific program eligibility.

II. BENEFITS AND OBLIGATIONS

The Loan Repayment Programs pay up to \$25,000 a year toward the qualified medical educational loans of program participants. The minimum service obligation is 2 years, during which the maximum payment of \$50,000 will be paid the first year. Subsequent extensions of the loan repayment contract are entitled to annual loan repayments of up to \$35,000. (The actual amount paid depends on the total amount owed in principal, interest, and loan expenses at the beginning of the period of service.) These benefits are in addition to any salary or compensation received from employment by an authorized program employer.

III. LOAN REPAYMENT PROGRAM REQUIREMENTS

Entry to either **Loan Repayment Program** requires:

- 1) Submission of an application, educational loan information and/or loan pay-off statements for all loans needing repayment assistance by the Loan Repayment Program;
- 2) Copy of your valid and current license to practice in Virginia;
- 3) Signed certification stating that you are not delinquent on any federal debt. Examples of federal debt include direct or guaranteed student loans (such as health education assistance loans and health professions student loans), delinquent taxes and FHA loans;

- 4) Individuals born outside of the United States, Commonwealth of Puerto Rico, Commonwealth of Northern Mariana Islands, the Republic of Palau, the Virgin Islands, Guam, and American Samoa must submit documentary proof of their U.S. citizenship;
- 5) Submission of an eligible practice site application;
- 6) Copy of a signed employment agreement or contract with an approved site to begin service on a future agreed upon date;
- 7) Signed and dated Loan Repayment Program contract; and
- 8) The signing of the Loan Repayment Program Contract by the State Health Commissioner or his designee. A copy is returned to the participant.

Loan repayment program contracts obligate participants to practice their professions full-time (a minimum of 40 hours/week for a minimum of 45 weeks per year) for the period agreed upon (2-year minimum).

IV. INDIVIDUAL ELIGIBILITY

Individuals Eligible to Participate:

Individuals who are eligible to apply for participation in the Virginia Loan Repayment Programs must be citizens of the United States who:

- 1) Have a degree in allopathic medicine or osteopathic medicine; or
- 2) Have a master's degree or a post-baccalaureate certificate from a school accredited by the National League for Nursing; or
- 3) Have a master's degree, a post-baccalaureate certificate, a baccalaureate degree, or a certificate from a school accredited by the Committee on Allied Health Education and Accreditation for physician assistants; or
- 4) Are enrolled in an approved graduate training program ("residency") in allopathic or osteopathic medicine, nurse practitioner or physician assistant training; or
- 5) Are enrolled in an accredited educational institution in a state in the final year of a course of study or program

leading to a degree in allopathic or osteopathic medicine, nurse practitioner or physician assistant certification.

Eligible individuals must sign and submit an application to participate in Virginia's Loan Repayment Programs and must have completely satisfied any other obligation for health professional service which is owed under an agreement with a federal, state, or other entity, prior to beginning the period of service under Virginia's programs.

Individuals Not Eligible to Participate

Individuals are not eligible for participation in the Virginia Loan Repayment Programs if:

- 1) Persons are not citizens or nationals of the United States, including permanent resident aliens or other aliens. (Applicants must be eligible for federal employment.);
- 2) Persons have breached an obligation for service to a Federal, State, or local government entity, which has not yet been satisfied;
- 3) Persons have "unserved" obligations for service to a Federal, State, or local government entity. (Please check with the VDH-OMHPHP if you have questions regarding such an obligation.);
- 4) Persons lack an unrestricted license to practice their profession in the State of Virginia; and
- 5) Persons are delinquent on any federal debt.

V. LOAN REPAYMENT PROGRAM SERVICE OBLIGATIONS

A license to practice in the State of Virginia is required.

Matching to Service Sites

Loan repayment program participants are required to provide full-time clinical service at a service site for the period agreed to in the contract. These sites are specific primary health care or psychiatric employment opportunities in a medically underserved area of Virginia. Va-SLRP participants are required to complete their obligation in a federally designated primary care Health Professional Shortage Area (HPSA) or a federally designated mental HPSA (for psychiatrists) that have been identified by VDH-OMHPHP as having a deficient of certain health professionals. VLRP participants may complete their obligation in a state or local government institution, e.g., Department of Health, Department of Mental Health, Mental

Retardation, and Substance Abuse Services, Department of Corrections, Community Services Board, Local Health District, etc.

Effective Date for Start of Service

Applicants become participants in the either Loan Repayment Program only when the applicant and the State Health Commissioner or his designee has signed the contract. This contract specifies the period of obligated service for each participant to provide primary health care or psychiatric services as determined by the State Health Commissioner. The effective date for start of obligated service under the contract is the date of employment or the date of the State Health Commissioner's signing, whichever is *later*.

Applicants' Loan Repayment Program contracts are signed by the State Health Commissioner when:

- 1) Applicants have concluded matches to sites satisfactory to themselves and VDH-OMHPHP; and
- 2) When written requests from the applicants have been received by VDH-OMHPHP for the State Health Commissioner to sign their contracts.

The State Health Commissioner's, or his designee's, signature on the contract establishes a binding agreement in which the Loan Repayment Program agrees to award the participants' qualified loans, and participants agree to serve as approved by the State Health Commissioner for the stated years specified on their contract.

If contracted participants should fail to begin or complete the period of professional practice to which they have agreed, participants will be subject to the financial damages specified in the contract.

Leaving the Site (Changing Jobs)

The Loan Repayment Program contract does not specify where participants will serve, only that they will serve as "determined by the State Health Commissioner" for the number of years to which they have agreed. Should participants find they are unable to carry out their service commitments at the service site where they have matched, they will be expected to continue their service at another approved loan repayment service site selected in consultation with, and with the approval of, the Commissioner or his designee. If a Loan Repayment Program participant is terminated for cause by his loan repayment employment site, he is not entitled to a transfer and will be placed in default of his Loan Repayment Program contract.

If there is no break in service between the old and new sites, the Loan Repayment Program will continue without service obligation interruption. However, if such participant fails to match to another approved loan repayment service site within 10 business days (during which the loan repayments may be suspended or reduced), the State Health Commissioner, may assign them to another site, or for cause, deem that they are in default of their contract.

Compensation during Service

Participants will negotiate their compensation package directly with their sites, based on the usual and customary income and benefits of other physicians and health professionals in the area with similar professional training and experience.

The fact that participants are benefiting from the Loan Repayment Program must have no bearing on the compensation package offered by sites. The compensation package of the site is separate and distinct from the amount the Loan Repayment Program is paying participants toward their loans.

VI. TRAINING DEFERMENTS AFTER STARTING SERVICE

Once service has begun, the State Health Commissioner may grant deferments for further specialty training, if the site and VDH-OMHPHP recommend this to the State Health Commissioner. Loan payments are normally discontinued during these training deferments.

VII. LOAN REPAYMENT BENEFITS

The financial benefits of the Loan Repayment Program consist of payments toward a participant's qualified medical education loans.

Loan Repayment Benefits for the Initial 2 Years of Service

For each year of an initial 2-year contract, the Loan Repayment Program will pay the lesser of \$25,000 or one-half of the balance of loans outstanding, plus interest, at the start of the 2 years of service.

Payments to Participants

A lump sum payment of up to \$50,000 of loan repayment funds will be sent directly to the participant about 30 days after the start of service under the contract. The amount will be based on estimates of the loan balances. The remaining loan repayment funds of up to \$35,000, and based on availability of funds, may be sent the following year.

Participants are required to use these funds to repay their loans regularly, as agreed with the lender, and are encouraged to make multiple payments to more rapidly reduce the principal and interest on the loan.

Extending Participation

Extensions of participation are contingent upon the appropriation of funds for the Loan Repayment Program by the Virginia General Assembly and by the U.S. Congress or both.

All participants are eligible to extend their contracts beyond the initially contracted years of service. Participants must apply in writing for extensions of their contracts at least 6 months prior to the end of their last contracted year of service.

For each one-year contract beyond the minimum two years of service, the Virginia Loan Repayment Program will pay the lesser of \$35,000 or the balance of loans outstanding at the start of the service year. If funds are available, participants may elect to continue their service at the same site.

VIII. LOANS QUALIFYING FOR REPAYMENT

Loans Qualifying for Repayment

The Loan Repayment Payment will pay toward the principal, interest, and related expenses of government (federal, state, or local) and commercial loans obtained by the participant for:

- 1) School tuition and required fees for the undergraduate and graduate medical education incurred by the participant;
- 2) Other reasonable educational expenses required by the undergraduate and graduate school, including fees, books, and laboratory expenses, incurred by the participant; and
- 3) Reasonable living expenses, based on official student budgets by the schools for the periods of undergraduate and graduate education.

Loans Not Qualifying for Repayment

The following financial obligations are not qualified for repayment by the Loan Repayment Program:

- 1) National Health Service Corps Scholarship financial damages.

- 2) Indian Health Service Scholarship financial damages.
- 3) Loans for which documentation verifying the educational use of the loan is not available.
- 4) Loans, or that portion of loans, obtained for educational or personal expenses while at school, which exceed the "reasonable" level, as determined by the school's standard school budgets in the year the loan was made.
- 5) Loans that have been repaid in full.
- 6) Loans that incur an obligation for service that has not yet been performed.
- 7) Private loans made by family members or friends.

Tax Liability

Payments to participants represent taxable income to the participants. The Loan Repayment Program reports each year to the Internal Revenue Service the payments it makes to or on behalf of all participants.

IX. DEFINITIONS

"Commercial loans" are defined as loans made by banks, credit unions, savings and loan associations, insurance companies, schools, and other financial or credit institutions which are subject to examination and supervision in their capacity as lenders by an agency of the United States or of the state in which the lender has its principal place of business.

"Full-time" means at least forty (40) hours per week for a minimum of forty-five (45) weeks per year.

"Reasonable educational expenses" are the costs of education, exclusive of tuition, which are considered by a participant's school to be required by the school's degree program, such as fees, books, supplies, educational equipment and materials, and clinical travel, which was part of the estimated standard student budget of the school in which the participant was enrolled.

"Reasonable living expenses" are the costs of room and board, transportation and commuting costs, and other costs incurred during an individual's attendance at a college, university, and health

professions school, as estimated each year by the school as part of the school's standard student budget.

X. BREACHING THE LOAN REPAYMENT AGREEMENT

Failing to Complete Educational Program or Residency

Participants whose contracts have been signed by the State Health Commissioner while they are in postgraduate training or in residencies and who:

- a) Fail to maintain an acceptable level of academic standing in the educational institution in which they are enrolled, as determined by the institution; or
- b) Voluntarily terminate their enrollment at that institution; or
- c) Are dismissed from that institution before completing the course of study, and are unable to fulfill their contracted service obligations due to lack of educational credentials shall be liable to the Commonwealth of Virginia for any amount the Loan Repayment Program paid the participants under the contract.

Effects of Not Completing the 2-Year Minimum Service Obligation

Regardless of the length of the agreed period of obligated service, participants who serve less than the 2-year minimum (but at least 1 year) are liable to pay monetary damages to the Commonwealth of Virginia as stated in the contract:

Effect of Completing at Least 2 Years of a Service Obligation of More than 2 Years

If a participant's original obligation under the Loan Repayment Program was for more than 2 years of service, and the participant stopped service after completing the 2-year minimum service obligation, the participant would owe the Commonwealth of Virginia for any payments the Loan Repayment Program made to the participant for which service was not performed.

In addition, if the participant fails to notify the Loan Repayment Program at least 1 year prior to the date of breach of an intention to stop service, the participant will also owe \$10,000 in monetary damages.

Example: Dr. Green agrees to serve for 4 years, but notifies the Loan Repayment Program 6 months into his service of his

intention to quit upon completing the minimum 2 years of service.

Dr. Green will owe no financial damages as long as the service represented by the loan repayments that have been made has been performed. Also, the notice of breach was timely. If Dr. Green had waited until he had completed 13 months of service before notifying the Loan Repayment Program of his intention to stop service upon completion of 24 months of service, he would have owed the Commonwealth of Virginia additional financial damages totaling \$10,000.

Damages Payable in 1 Year

Any amount which the Commonwealth of Virginia is entitled to recover because of a breach of the contract must be paid within 1 year from the day of breach, or for a longer period if the State Health Commissioner or his designee so decides. Failure to pay by the due date will incur delinquent charges provided by law.

Other Effects of Delinquency in Paying Damages

If the financial damages owed because of breaching the contract are not paid for 3 months, the State Health Commissioner will refer the debt to a collection agency. Delinquencies of 60 days (or longer if the State Health Commissioner so determines) in paying damages of more than \$100 will be disclosed to appropriate credit reporting agencies.

Waiving the Government's Rights of Recovery

The State Health Commissioner may waive, in full or part, the obligation for service or his rights to recover financial damages, whenever the Commissioner determines that compliance by the participant would be impossible, or would involve extreme hardship to the participant and enforcement of the obligation would be unconscionable.

Damages Not Dischargeable in Bankruptcy for 5 Years

Any obligation of a participant (or a contract there under) for payment of damages may be released by a discharge in bankruptcy under Title 11 of the United States Code only if such discharge is granted after the expiration of the 5-year period beginning on the first date that payment of such damages is required, and only if the bankruptcy court finds that non-discharge of the obligation would be unconscionable.